

The logo for Northern Kentucky University Foundation, featuring the letters 'NKU' in a stylized font with a yellow flame above the 'U', followed by 'NORTHERN KENTUCKY UNIVERSITY' in a smaller font, and 'FOUNDATION' in a larger font below it.

NKU NORTHERN
KENTUCKY
UNIVERSITY
FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023



September 2024

Dear Foundation board members and friends:

It has been nearly a year under president Cady Short-Thompson's leadership. As with all things new, time can and should be taken to refocus, reenergize and reconnect. And Cady has done just that. The university and the Foundation feel very positive about the year to come and all that we will accomplish together.

It has been my pleasure serving as Foundation President for the last three years. My role will come to an end in November and new leadership will be chosen to ensure that our mission continues to be fulfilled. I know great things are on the horizon.

The following pages share the Foundation's Consolidated Financial statements for the years ended June 30, 2024 and June 30, 2023. They have been audited by Dean Dorton, whose report appears on pages 4-6.

Great news: At the end of the 2024 fiscal year, total assets were \$164.2 million (up from \$151.4 million) and the total number of donor restricted endowments was 399. Total gifts increased to \$6.5 million; nearly a million more than the previous year. Our board members, alumni, donors and the community are deserving of our thanks.

I appreciate all you do to support the foundation and Northern Kentucky University.

Best,

A handwritten signature in black ink that reads 'Tom Wiedemann'. The signature is written in a cursive, flowing style.

Thomas C. Wiedemann
President
Northern Kentucky University Foundation, Inc.



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Independent Auditor's Report

Board of Directors
Northern Kentucky University Foundation, Inc.
Highland Heights, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Northern Kentucky University Foundation, Inc. (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Board of Directors
Northern Kentucky University Foundation, Inc.
Independent Auditor's Report, continued

Other Information

Management is responsible for the other information. The other information comprises the letter from the president, the executive committee listing and the board of directors listing but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
September 5, 2024

Northern Kentucky University Foundation, Inc.
Consolidated Statements of Financial Position
As of June 30, 2024 and 2023
(in thousands)

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 8,076	\$ 6,567
Loans and accounts receivable, net	574	371
Interest receivable	79	43
Contributions receivable, net	5,820	5,992
Prepaid expenses and deferred charges	119	127
Investments	149,165	137,979
Land and land improvements, net	323	323
TOTAL ASSETS	<u>\$ 164,156</u>	<u>\$ 151,402</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 275	\$ 333
Agency funds	27	12
Deferred income	457	514
Funds held in trust for Northern Kentucky University	16,105	14,937
TOTAL LIABILITIES	<u>16,864</u>	<u>15,796</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	3,994	3,286
Amounts functioning as endowment funds	3,738	3,366
Invested in land and land improvements	323	323
Total without donor restrictions	<u>8,055</u>	<u>6,975</u>
With Donor Restrictions		
Purpose Restrictions		
Unexpended funds	14,280	13,368
Contributions receivable	5,820	5,992
Loan funds	1,123	1,202
Endowment funds	118,014	108,069
Total with donor restrictions	<u>139,237</u>	<u>128,631</u>
TOTAL NET ASSETS	<u>147,292</u>	<u>135,606</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 164,156</u>	<u>\$ 151,402</u>

See accompanying notes to the consolidated financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statement of Activities
For the year ended June 30, 2024
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gifts and bequests	\$ -	\$ 6,468	\$ 6,468
Nonfinancial contributions	-	14	14
State grants	-	5	5
Rental income	145	1	146
Investment return	973	13,085	14,058
Other revenue	153	278	431
Total revenues and gains (losses)	1,271	19,851	21,122
Net assets released from restrictions	9,186	(9,186)	-
Total revenues, gains (losses) and other support	10,457	10,665	21,122
EXPENSES AND LOSSES			
Program expenses			
Instruction	844	-	844
Research	231	-	231
Public service	282	-	282
Libraries	44	-	44
Academic support	1,135	-	1,135
Student services	1,177	-	1,177
Institutional support	1,085	-	1,085
University facilities and equipment acquisition	624	-	624
Student financial aid	3,216	-	3,216
Other program expenses and losses	-	59	59
Total program expenses (recoveries)	8,638	59	8,697
Support expenses			
Management and general	583	-	583
Fund raising support	156	-	156
Total support expenses	739	-	739
TOTAL EXPENSES AND LOSSES (RECOVERIES)	9,377	59	9,436
CHANGE IN NET ASSETS	1,080	10,606	11,686
NET ASSETS - BEGINNING OF YEAR	6,975	128,631	135,606
NET ASSETS - END OF YEAR	\$ 8,055	\$ 139,237	\$ 147,292

See accompanying notes to the consolidated financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statement of Activities
For the year ended June 30, 2023
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gifts and bequests	\$ -	\$ 5,579	\$ 5,579
Nonfinancial contributions	-	21	21
State grants	-	10	10
Rental income	145	-	145
Investment return	397	8,169	8,566
Other revenue	145	481	626
Total revenues and gains (losses)	687	14,260	14,947
Net assets released from restrictions	9,163	(9,163)	-
Total revenues, gains (losses) and other support	9,850	5,097	14,947
EXPENSES AND LOSSES			
Program expenses			
Instruction	1,018	-	1,018
Research	133	-	133
Public service	225	-	225
Libraries	15	-	15
Academic support	1,220	-	1,220
Student services	1,262	-	1,262
Institutional support	1,331	-	1,331
University facilities and equipment acquisition	136	-	136
Student financial aid	3,374	-	3,374
Other program expenses and losses	-	115	115
Total program expenses (recoveries)	8,714	115	8,829
Support expenses			
Management and general	469	-	469
Fund raising support	201	-	201
Total support expenses	670	-	670
TOTAL EXPENSES AND LOSSES (RECOVERIES)	9,384	115	9,499
CHANGE IN NET ASSETS	466	4,982	5,448
NET ASSETS - BEGINNING OF YEAR	6,509	123,649	130,158
NET ASSETS - END OF YEAR	\$ 6,975	\$ 128,631	\$ 135,606

See accompanying notes to the consolidated financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statements of Cash Flows
For the years ended June 30, 2024 and 2023
(in thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Interest and dividends received	\$ 2,431	\$ 1,849
Contributions received	4,010	3,425
Other receipts	401	1,009
Payments to vendors for goods and services	(2,717)	(2,839)
Subgrants to Northern Kentucky University	(3,477)	(3,029)
Disbursements to students for financial aid	(3,216)	(3,374)
Net cash provided by (used in) operating activities	<u>(2,568)</u>	<u>(2,959)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	25,532	9,121
Purchases of investments	(23,976)	(15,141)
Net cash provided by (used in) investing activities	<u>1,556</u>	<u>(6,020)</u>
Cash flows from financing activities:		
Endowment and other capital gifts	2,521	2,685
Net cash provided by (used in) financing activities	<u>2,521</u>	<u>2,685</u>
Net change in cash and cash equivalents	1,509	(6,294)
Cash and cash equivalents at beginning of year	<u>6,567</u>	<u>12,861</u>
Cash and cash equivalents at end of year	<u>\$ 8,076</u>	<u>\$ 6,567</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 11,686	\$ 5,448
Credit loss expense adjustment	2	5
(Recovery) provision for uncollectible pledges	(4)	6
Adjustment of life estate remainder interest	(34)	(64)
Contributions restricted for long-term investment	(2,521)	(2,685)
Net losses (gains) on investments	(11,576)	(6,587)
Changes in assets and liabilities:		
Loans and accounts receivable	(205)	254
Interest receivable	(36)	(43)
Contributions receivable	176	972
Prepaid expenses and deferred charges	8	83
Accounts payable and agency funds	(43)	10
Deferred income	(23)	(361)
Cash surrender value of life insurance	2	3
Net cash provided by (used in) operating activities	<u>\$ (2,568)</u>	<u>\$ (2,959)</u>

See accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE A – HISTORY AND PURPOSE

Northern Kentucky University Foundation, Inc.

Northern Kentucky University Foundation, Inc. (the Foundation) was incorporated November 19, 1970, as a Kentucky non-stock, not-for-profit corporation. The purpose of the Foundation, as stated by the articles of incorporation, is to provide general and specific services and material things necessary or desirable for the growth and development of Northern Kentucky University (the University), and encompasses prospective students, students, alumni, faculty, and staff, as well as research and civic services and cooperative educational programs. Any and all things and acts in and incidental to the conduct of such activities deemed useful, necessary, proper and lawful, are also declared purposes.

Kentucky Revised Statutes define affiliation status for corporations supporting public education institutions. The Foundation is an unaffiliated corporation as defined by the statutes.

The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Section 501(c)(3) of the code and has determined that it is not a private foundation within Section 509(a) of the code. Contributions, bequests, legacies, devices, transfers and gifts made to the Foundation are deductible by donors, as provided in Section 170 of the code.

Scope of Statements

The consolidated financial statements of the Foundation include the operations of the Foundation as well as the following single member limited liability companies: NKUF Properties 1, LLC, NKUF Properties 2, LLC, NKUF Properties 3, LLC, NKUF Properties 4, NKUF Properties 6, LLC, NKUF Properties 8, NKUF Properties 10 LLC, NKUF Properties 11 LLC, NKUF Ventures LLC, and NKUF Twelve Mile Nature Preserve LLC. These entities hold title to real estate and other assets formerly held by the Foundation. All material intercompany transactions and balances have been eliminated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Foundation in preparation of its consolidated financial statements.

These statements are presented on the accrual basis of accounting, and have been prepared to focus on the Foundation as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into two classes of net assets – with donor restrictions and without donor restrictions.

Net Assets

Net assets and changes therein are classified as follows:

With donor restrictions - Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Without donor restrictions - Net assets not subject to donor-imposed stipulations. And are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Revenues and Expenses

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Restricted contributions and net investment returns earned are reported as with donor restrictions and reclassified as without donor restricted when any donor-imposed restrictions are satisfied. Expirations of donor restrictions on net assets are met when a donor stipulated time restriction ends or purpose restriction is accomplished and reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Funds received for which required conditions have not yet been met are recorded as deferred income. Contributions of assets other than cash are recorded at their estimated fair value. Contributions receivable are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution and nature of the fund-raising activity.

The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Income and realized net gains on long-term investments are reported as follows:

- As increases in net assets with donor restrictions – if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the use of the income.
- As increases in net assets without donor restrictions – in all other cases.

Cash and Cash Equivalents

Cash and cash equivalents include all readily available sources of cash such as petty cash, demand deposits and temporary investments in marketable securities with maturities of less than three months. Cash and cash equivalents representing investments purchased with endowment net assets are reported as investments.

At various times throughout the year, the Foundation has cash in certain financial institutions in excess of insured limits. Additionally, at June 30, 2024 and 2023, \$4,043,000 and \$3,797,000, respectively, was insured by federal depository insurance. At June 30, 2024 and 2023, balances of \$3,973,000 and \$2,675,000, respectively, were not insured.

Loans and Accounts Receivable

Loans receivable consists primarily of loans made to students under privately funded loan programs. The advances are evidenced by signed promissory notes, bearing interest at varying stated interest rates, with varying due dates. Loans, accounts and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for an allowance for credit losses based on its assessment of the current status of individual accounts combined with an assessment of current and projected future economic conditions. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans and accounts receivable. The allowance for credit losses as of June 30, 2024 was approximately \$50,000.

Prior to adoption of Accounting Standards Codification 326, the Foundation maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of June 30, 2023, was approximately \$48,000.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at their fair value. The estimated fair value of investments is based on quoted market prices, except for investments for which quoted market prices are not available. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the external investment managers adjusted for cash receipts, cash disbursements and distributions. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. The Foundation also holds investments in certain held-to-maturity debt securities and financial institution certificates of deposit which are presented at amortized cost basis.

The Foundation invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return that is independent of the cash yield and appreciation (depreciation) of investments earned during the year is provided for program support.

The Foundation has significant exposure to a number of risks including interest rate, market and credit risks for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the Foundation's consolidated financial statements.

All true endowment investments and long-term net assets functioning as endowments are managed in a pool, unless special considerations or donor stipulations require that they be held separately.

Land and Land Improvements

At June 30, 2024 and 2023, land and land improvements (in thousands) consisted of:

Type of asset:	<u>2024</u>	<u>2023</u>
Land	\$ 178	\$ 178
Land held for future use by the University	145	145
Land improvements	<u>208</u>	<u>208</u>
Gross land and land improvements	531	531
Less: accumulated depreciation	<u>(208)</u>	<u>(208)</u>
Total land and land improvements, net	<u>\$ 323</u>	<u>\$ 323</u>

Assets acquired for Foundation use with a useful life greater than one year and a value of \$5,000 or more are capitalized. Annual depreciation for land improvements is calculated on a straight-line basis, beginning in the month of acquisition based on a useful life of 30 years. Assets purchased or constructed through the Foundation for immediate use by the University are recorded by the Foundation as a program expense.

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 or 2023.

Reclassifications

Certain reclassifications have been made to the 2023 consolidated financial statement to conform to the 2024 consolidated financial statement presentation. These reclassifications had no effect on changes in net assets.

Adoption of New Accounting Standards

Effective July 1, 2023, the Foundation adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and associated amendments. This standard creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change.

The adoption of the new standard did not result in a cumulative-effect adjustment to the opening balance of net assets.

NOTE C – LEASES

At June 30, 2024, the Foundation owned properties subject to lease agreements with unrelated parties, as follows:

One property is subject to a lease covering approximately 23 acres of Foundation land. The lease is for 48 years ending on July 31, 2040, with four additional lease option terms of ten years each. As a condition of the lease, the Foundation has executed fee title mortgages to institutional lenders which subordinates its title in the real estate leased as security for construction financing of permanent improvements thereon. Any improvements constructed on the leased property of the Foundation shall become the property of the Foundation only upon termination of the lease or termination of the last such renewal term as may be exercised.

A second property is subject to a property lease and easements covering approximately .2 (two tenths) acre of Foundation land. The initial lease term was 5 years, beginning January 1, 1997, with nine additional 5-year automatic renewals at the option of the lessee.

A third property is subject to two leases for office space with terms ending August 31, 2024 and September 30, 2024.

Rental income for these properties was approximately \$146,000 and \$145,000 for the years ended June 30, 2024 and 2023, respectively.

The following is a schedule by years of the future rentals receivable (in thousands) on property leases as of June 30, 2024:

<u>Fiscal Year ending June 30</u>	
2025	\$ 146
2026	157
2027	149
2028	139
2029	139
2030 and thereafter	1,755
Total future rentals	\$ 2,485

NOTE D – UNCONDITIONAL AND CONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts are computed using a risk free interest rate and amortization of the discount is included in gifts and bequests revenue.

At June 30, 2024 and 2023, the Foundation recognized contributions based on the following unconditional promises to give (in thousands):

	2024	2023
Purpose:		
Endowment giving	\$ 1,433	\$ 1,094
Capital purposes	5	70
Operating programs	5,047	5,446
Gross unconditional promises to give	6,485	6,610
Less: Discount and allowance for uncollectible accounts	(665)	(618)
Net unconditional promises to give	\$ 5,820	\$ 5,992
 Amounts due in:		
Less than one year	\$ 2,243	\$ 2,252
One to five years	3,342	3,158
More than five years	900	1,200
Total	\$ 6,485	\$ 6,610

The discount rates used to calculate the present value of contributions receivable at June 30, 2024 and 2023 vary from 0.6% to 5.6%, depending on when the promise was made.

Conditional promises to give are not included as support until such time as the conditions are substantially met. The Foundation had received conditional promises to give of approximately \$5.1 million at June 30, 2024 and \$5.3 million at June 30, 2023, consisting of the face value of life insurance policies, net of accumulated cash surrender value, as well as conditional promises of \$3 million from one donor for the completion of a new facility, and \$1.4 million from two donors for support of specified administrative positions.

Approximately 37% of total pledges receivable were due from one donor at June 30, 2024. Approximately 41% of total pledges receivable were due from one donor at June 30, 2023.

NOTE E – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Other inputs that are observable for the asset or liability;
- Other inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 investments include short term money market funds, cash surrender value, fixed income funds and equity funds.

Level 2 investments are based on quoted prices of securities or other property with similar characteristics and include a remainder interest in real property subject to a life estate.

Level 3 investments include those in which there is no active market. The Foundation held no Level 3 investments at June 30, 2024 or 2023.

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

The following assets were measured at fair value on a recurring basis as of June 30, 2024 (in thousands):

	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV*
June 30, 2024					
Type of Investment:					
Cash surrender value	\$ 501	\$ 501	\$ -	\$ -	\$ -
Fixed income funds:					
Core	14,904	14,904	-	-	-
Global	4,475	4,475	-	-	-
Equity funds:					
Large/mid-cap - broad	28,553	28,553	-	-	-
Large/mid-cap - growth	2,252	2,252	-	-	-
Large/mid-cap - value	6,052	6,052	-	-	-
Small cap - growth	2,257	2,257	-	-	-
Small cap - value	3,302	3,302	-	-	-
International - core	13,545	13,545	-	-	-
International - value	-	-	-	-	-
International small cap - value	3,869	3,869	-	-	-
Emerging markets - value	3,301	3,301	-	-	-
Emerging markets - growth	3,233	3,233	-	-	-
Real estate investment trust	24	24	-	-	-
Exchange traded funds	205	205	-	-	-
Certificates of deposit	5,485	5,485	-	-	-
Remainder interest in real property and other	1,130	-	1,130	-	-
Public natural resources-master limited partnerships	3,419	-	-	-	3,419
Private equity	32,233	-	-	-	32,233
Private debt	5,389	-	-	-	5,389
Natural resources	7,529	-	-	-	7,529
Private real estate	6,366	-	-	-	6,366
Total	\$ 148,024	\$ 91,958	\$ 1,130	\$ -	\$ 54,936

*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of net position.

The following assets were measured at fair value on a recurring basis as of June 30, 2023 (in thousands):

	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV*
June 30, 2023					
Type of Investment:					
Cash surrender value	\$ 486	\$ 486	\$ -	\$ -	\$ -
Fixed income funds:					
Core	14,079	14,079	-	-	-
Global	3,556	3,556	-	-	-
Equity funds:					
Large/mid-cap - broad	27,147	27,147	-	-	-
Large/mid-cap - growth	1,895	1,895	-	-	-
Large/mid-cap - value	6,435	6,435	-	-	-
Small cap - growth	2,073	2,073	-	-	-
Small cap - value	3,097	3,097	-	-	-
International - core	9,953	9,953	-	-	-
International - value	3,332	3,332	-	-	-
International small cap - value	3,324	3,324	-	-	-
Emerging markets - value	3,588	3,588	-	-	-
Emerging markets - growth	3,469	3,469	-	-	-
Real estate investment trust	34	34	-	-	-
Exchange traded funds	172	172	-	-	-
Certificates of deposit	4,000	4,000	-	-	-
Remainder interest in real property and other	1,190	-	1,190	-	-
Public natural resources-master limited partnerships	2,532	-	-	-	2,532
Private equity	27,351	-	-	-	27,351
Private debt	5,555	-	-	-	5,555
Natural resources	8,292	-	-	-	8,292
Private real estate	5,256	-	-	-	5,256
Total	\$ 136,816	\$ 86,640	\$ 1,190	\$ -	\$ 48,986

*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of net position.

NOTE F – INVESTMENTS

The market values (in thousands) of the Foundation's investments as of June 30, 2024 and 2023 are categorized by type below:

Type of Investment:	<u>2024</u>	<u>2023</u>
Cash and cash surrender value	\$ 1,642	\$ 1,649
Fixed income funds:		
Core	14,904	14,079
Core plus	4,475	-
Global	-	3,556
Equity funds:		
Large/mid cap - broad	28,553	27,147
Large/mid cap - growth	2,252	1,895
Large/mid cap - value	6,052	6,435
Small cap - growth	2,257	2,073
Small cap - value	3,302	3,097
International - core	13,545	9,953
International - value	-	3,332
International small cap - value	3,869	3,324
Emerging markets - value	3,301	3,588
Emerging markets - growth	3,233	3,469
Real estate investment trust	24	34
Exchange traded funds	205	172
Certificates of deposit	5,485	4,000
Public natural resources - master limited partnerships	3,419	2,532
Remainder interest in real property and other	1,130	1,190
Private equity:		
Buyout	10,676	8,397
Diversified	74	207
Growth	6,893	5,735
Venture capital	12,635	11,146
Secondary	1,955	1,866
Private debt:		
Distressed	5,389	5,548
Mezzanine	-	7
Natural resources:		
Diversified	1,227	1,589
Energy	3,130	3,595
Commodities	3,172	3,108
Private real estate:		
Opportunistic	5,950	5,124
Value added	416	132
Total Investments	<u>\$ 149,165</u>	<u>\$ 137,979</u>

Investment return (in thousands) for the years ended June 30, 2024 and 2023 consists of:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 2,450	\$ 1,915
(net of investment fees: 2024 - \$1,044, 2023 - \$1,086)		
Net realized gains (losses)	(102)	(767)
Net unrealized gains (losses)	<u>11,710</u>	<u>7,418</u>
	<u>\$14,058</u>	<u>\$ 8,566</u>

The Foundation records the cost of managing its endowment portfolio as a decrease in investment income within the appropriate net asset class in the consolidated statements of activities. Some of the Foundation's investment managers report investment transactions net of fees.

The investments of the Foundation are commingled with certain investments which the Foundation holds in trust for the University. The market value of funds held in trust for the University at June 30, 2024 and 2023 was approximately \$16,105,000 and \$14,937,000 respectively. (See Note I)

At June 30, 2024 and 2023, the Foundation had committed approximately \$88,000,000 and \$87,000,000, respectively, of its endowment investment resources to alternative investments, of which approximately \$26,500,000 and \$28,300,000, respectively, had not yet been called by the investment managers. Alternative investments for which commitments have been made consist of private equity/debt, natural resources, private real estate and low-volatility.

Alternative investments of the Foundation have limited marketability and the related investment agreements generally contain restrictive redemption provisions to the extent that the underlying investments should be considered illiquid for the duration of the investment through normal maturity. Early redemption of such investments would likely result in recovery of significantly less than the original investment amount. Foundation management believes the investment portfolio contains sufficient liquidity among other asset classes to make early redemption of alternative investments unlikely for reasons of meeting current spending needs.

NOTE G – ENDOWMENTS

The Foundation's endowment consists of 399 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board, at their discretion, can at any time permit spending from the principal of any quasi-endowed fund, provided the expenditure complies with any donor-imposed restrictions related to the fund.

Kentucky enacted the Kentucky Uniform Prudent Management of Institutional Funds Act (KUPMIFA), the provisions of which apply to endowment funds existing on or established after enactment, with an effective date of July 15, 2010.

An interpretation of KUPMIFA provisions by the Foundation Board of Directors requires that the historical dollar amount of a donor-restricted endowment fund be preserved. As a result of this requirement, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. The net appreciation of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

Under KUPMIFA, the Foundation endowment spending policy allows for prudent spending of future endowment earnings for accounts without accumulated earnings based upon consideration of the following factors, if applicable:

- Duration and preservation of the endowment fund
- Purpose of the institution and the endowment fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return on investments
- Other resources of the institution
- Investment policy

The approved annual endowment spending rate is reduced by a proportion of 5% for each 1% the affected endowment is below the value of original and subsequent gifts to the permanent endowment (i.e. principal).

Return Objectives and Risk Parameters. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return a rate equal to the Consumer Price Index +5%, net of investment fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes fixed income investments as well as publicly traded equity-based investments and various alternative investment strategies to achieve its long-term return objectives within prudent risk parameters.

Spending Policy and How the Objectives Relate to Spending Policy. The spending policy calculates the amount of money annually distributed from the Foundation’s various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 3-5% of a moving sixteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow the Foundation to meet its objective to maintain the historical dollar amount of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor restricted endowment funds	\$ -	\$ 113,149	\$ 113,149
Quasi-endowment funds	<u>3,738</u>	<u>4,865</u>	<u>8,603</u>
Total endowment funds	<u>\$ 3,738</u>	<u>\$ 118,014</u>	<u>\$ 121,752</u>

Changes in endowment net assets (in thousands) for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 3,366	\$ 108,069	\$ 111,435
Contributions collected and other additions	-	1,608	1,608
Investment income	55	1,778	1,833
Net investment gain (loss)	350	11,051	11,401
Amounts appropriated for expenditure	<u>(33)</u>	<u>(4,492)</u>	<u>(4,525)</u>
Endowment net assets, end of year	<u>\$ 3,738</u>	<u>\$ 118,014</u>	<u>\$ 121,752</u>

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor restricted endowment funds	\$ -	\$ 103,241	\$ 103,241
Quasi-endowment funds	<u>3,366</u>	<u>4,828</u>	<u>8,194</u>
Total endowment funds	<u>\$ 3,366</u>	<u>\$ 108,069</u>	<u>\$ 111,435</u>

Changes in endowment net assets (in thousands) for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 3,147	\$ 102,190	\$ 105,337
Contributions collected and other additions	-	2,029	2,029
Investment income	54	1,754	1,808
Net investment gain (loss)	196	6,331	6,527
Amounts appropriated for expenditure	<u>(31)</u>	<u>(4,235)</u>	<u>(4,266)</u>
Endowment net assets, end of year	<u>\$ 3,366</u>	<u>\$ 108,069</u>	<u>\$ 111,435</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or KUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2024. As of June 30, 2023 deficiencies of this nature were approximately \$1,000. The endowment principal of the effected endowments were \$118,000 as of June 30, 2023. These deficiencies resulted from unfavorable market conditions that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

NOTE H – CONTINGENT LIABILITIES

Legal counsel for the Foundation have advised that they know of no pending or threatened litigation, claims or assessments involving the Foundation that could have a material adverse financial effect on the Foundation.

NOTE I – REGIONAL UNIVERSITY EXCELLENCE TRUST FUND

The Foundation holds certain funds, consisting of endowment matching funds received by the University from the Commonwealth of Kentucky’s Regional University Excellence Trust Fund, which were subsequently transferred to the Foundation for management and investment.

The Foundation reports these funds and accumulated earnings as assets held in trust for the University. Investment earnings, gains and losses and expenditures from these funds are reported as changes in the balance held in trust, rather than as revenue and expenses of the Foundation. (See Note F)

NOTE J – SUBSEQUENT EVENTS

Events occurring after June 30, 2024 have been evaluated for possible adjustment to the consolidated financial statements or disclosure through September 5, 2024, the date on which the consolidated financial statements were available to be issued.

NOTE K – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2024 and 2023, the Foundation made payments on behalf of the University of \$360,000 and \$334,000, respectively, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation’s operations. These payments are made by agreement between the Foundation and University. Approximately \$0 and \$2,000 as of June 30, 2024, and 2023, respectively, was owed to the University for such costs.

In support of University Programs, the Foundation incurred program expenses of \$8,697,000 and \$8,829,000 for 2024 and 2023, respectively, which consisted of payments on behalf of the University of \$5,709,000 and \$6,052,000, for 2024 and 2023, respectively; and amounts transferred to the University for restricted purposes of \$2,988,000 and \$2,777,000 for 2024 and 2023, respectively.

NOTE L – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following (in thousands):

	<u>2024</u>	<u>2023</u>
Cash and equivalents	\$ 5,772	\$ 4,806
Accounts receivable	217	217
Contributions receivable	1,690	1,682
Less allowance for uncollectible pledges	(21)	(12)
	<u>\$ 7,658</u>	<u>\$ 6,693</u>

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2024 and 2023, restricted contributions of \$1,669,000 and \$1,670,000, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment for the years ended June 30, 2024 and 2023, of \$8,000,000 and \$7,400,000 is subject to an annual spending rate as described in Note G. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation's Finance and Audit Committee reviews the liquidity policy annually and the summarized financial reports at its regular meetings.

NOTE M – SCHEDULE OF FUNCTIONAL EXPENSES

The Foundation accounts for expenses in both natural classification categories and functional area categories. The summary of these for the year ended June 30, 2024 is as follows (in thousands):

	Subgranted to NKU-Payroll	Subgranted to NKU-Other	Legal Services	Accounting Services	Other Contracted Services	Advertising & Promotion	Office Expenses	Information Technology	Occupancy	Travel	Insurance	Other Operating	Scholarships & Awards	Total
Instruction	\$ 625	\$ 21	\$ -	\$ -	\$ -	\$ 3	\$ 42	\$ 3	\$ 4	\$ 35	\$ -	\$ 60	\$ -	\$ 844
Research	123	-	8	-	30	-	8	-	-	3	-	59	-	231
Public service	111	-	-	-	73	8	26	1	41	8	-	14	-	282
Libraries	2	-	-	-	-	-	21	5	-	-	-	16	-	44
Academic support	551	-	-	-	107	20	214	13	-	141	-	89	-	1,135
Student services	310	-	-	-	134	7	163	20	1	351	-	191	-	1,177
Institutional support	680	-	-	-	76	45	162	25	-	7	-	90	-	1,085
University facilities and equipment acquisition	2	563	-	-	8	-	2	3	-	-	-	46	-	624
Student financial aid	-	-	-	-	-	-	-	-	-	-	-	-	-	3,216
Other program expenses and losses (recoveries)	-	-	-	-	-	-	-	-	-	-	-	59	-	59
Total program expenses	\$ 2,404	\$ 584	\$ 8	\$ 8	\$ 479	\$ 83	\$ 638	\$ 70	\$ 46	\$ 545	\$ -	\$ 624	\$ 3,216	\$ 8,697
Management and general	360	-	1	35	9	-	28	3	-	6	17	124	-	583
Fund raising support	-	-	-	-	19	5	87	-	6	5	-	34	-	156
Total support expenses	\$ 360	\$ -	\$ 1	\$ 35	\$ 28	\$ 5	\$ 115	\$ 3	\$ 6	\$ 11	\$ 17	\$ 158	\$ -	\$ 739
Total expenses and losses	\$ 2,764	\$ 584	\$ 9	\$ 35	\$ 507	\$ 88	\$ 753	\$ 73	\$ 52	\$ 556	\$ 17	\$ 782	\$ 3,216	\$ 9,436

The summary for the year ended June 30, 2023 is as follows (in thousands):

	Subgranted to NKU-Payroll	Subgranted to NKU-Other	Legal Services	Accounting Services	Other Contracted Services	Advertising & Promotion	Office Expenses	Information Technology	Occupancy	Travel	Insurance	Other Operating	Scholarships & Awards	Total
Instruction	\$ 644	\$ 6	\$ -	\$ -	\$ 73	\$ 10	\$ 72	\$ -	\$ -	\$ 2	\$ 55	\$ -	\$ 156	\$ 1,018
Research	105	-	-	-	-	-	4	1	-	-	13	-	10	133
Public service	18	-	-	-	68	26	46	-	33	9	-	-	25	225
Libraries	-	-	-	-	-	-	8	-	-	1	-	-	6	15
Academic support	756	10	-	-	3	28	229	4	2	114	-	-	74	1,220
Student services	388	26	-	-	56	11	181	6	6	322	1	-	265	1,262
Institutional support	761	-	-	-	54	17	213	3	-	33	-	-	250	1,331
University facilities and equipment acquisition	2	61	-	-	5	-	3	-	-	1	-	-	64	136
Student financial aid	-	-	-	-	-	-	-	-	-	-	-	-	-	3,374
Other program expenses and losses (recoveries)	-	-	-	-	-	-	-	-	-	-	-	-	115	-
Total program expenses	\$ 2,674	\$ 103	\$ -	\$ -	\$ 259	\$ 92	\$ 756	\$ 14	\$ 43	\$ 548	\$ 1	\$ 965	\$ 3,374	\$ 8,829
Management and general	334	-	5	45	9	-	20	-	-	3	17	-	36	469
Fund raising support	-	-	-	-	22	3	72	-	34	17	-	-	53	201
Total support expenses	\$ 334	\$ -	\$ 5	\$ 45	\$ 31	\$ 3	\$ 92	\$ -	\$ 34	\$ 20	\$ 17	\$ 89	\$ -	\$ 670
Total expenses and losses	\$ 3,008	\$ 103	\$ 5	\$ 45	\$ 290	\$ 95	\$ 848	\$ 14	\$ 77	\$ 568	\$ 18	\$ 1,054	\$ 3,374	\$ 9,499

NOTE N – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, contributed nonfinancial assets (in thousands) recognized within the consolidated statements of activities included:

	<u>2024</u>	<u>2023</u>
Event Supplies/Administrative Costs	\$ 2	\$ 19
Athletic/Educational Supplies	10	-
Other	2	2
	<u>\$ 14</u>	<u>\$ 21</u>

The Foundation recognized nonfinancial assets within revenue with donor restrictions, including event, athletic, and educational supplies/administrative costs, and NKU FUEL Pantry supplies. The recognized values of these donated items are based on the fair market value of the contributions at the time of donation based upon a review of advertised similar products.

Contributed event supplies/administrative costs were utilized by various NKU events.

Contributed athletic/educational supplies were utilized by the NKU FUEL Pantry which provides food and other necessities for NKU students, as well as the NKU Athletics program, Nursing program, and STEM (Science, Technology, Engineering, and Math) programs.

Volunteers contribute significant amounts of time to the program services and the Foundation, however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.



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